

It is obvious that a currency system whose permanent circulation was reduced to \$125,000,000 for a population of 63,000,000, had ceased to serve one of the chief purposes for which it was created. The causes are to be found in the rapid payment of the national debt, which reduced the possible basis for circulation ; the high price of bonds, which reduced the profit on circulation ; and the steady stream of silver money which was pumped into the monetary system under the laws of 1878 and 1890, crowding out other forms of currency. Hostility to the national banks, though frequently expressed in the southern and western parts of the country, was a result rather than a cause of their shrinking circulation. There was filibustering in Congress against the bill to extend their charters, but the fact that their discounts and deposits remained unshaken is the best proof that the business community never seriously doubted that the system would survive. The original law gave the banks corporate powers for twenty years and the new bill proposed their continuance for another twenty years. Mr. Crapo, of Massachusetts, who was in charge of the bill in the House, failed twice to secure consideration, because under the rules it required a two-thirds vote, but he obtained the necessary votes on May 1, 1882, and the bill passed the House on May 17th, by a vote of 125 to 67. It passed the Senate with amendments on June 22d and became law on July 12th.

The essential cause of diminishing circulation was financial rather than political and was chiefly found in the growing wealth and credit of the country. The bonded debt of the United States shrivelled from \$1,639,567,750 on June 30, 1881, to \$610,529,120 on June 30, 1891, and the result was the wiping out of two large bond issues and almost the extinction of a third. The national banks, which had \$360,488,400 in bonds on deposit to secure circulation at the earlier date, had only \$142,508,900 on deposit at the later date, although the proportion to the

whole remained almost exactly the same. The price of bonds, as secure gold investments, rose to such a point that their investment value fell far below three per cent., and their price was enhanced by